

Pension
ANALYST

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IRS Delays Effective Date of Certain Funding Regulations

On January 31, 2008, the IRS issued [Notice 2008-21](#) to provide delayed effective dates for certain proposed regulations relating to the new Pension Protection Act of 2006 (PPA) minimum funding requirements that apply to single-employer and multiple employer defined benefit plans. The PPA requirements are effective for plan years beginning on and after January 1, 2008, and the affected regulations are those relating to:

- Mortality tables to be used for certain funding calculations;
- The use of credit balances to satisfy minimum required contributions; and
- Benefit restrictions applicable to [underfunded plans](#).

Earlier IRS guidance provided 2008 effective dates for some regulations and 2009 effective dates for other regulations relating to the new minimum funding rules. Now, to maintain uniform effective dates, the IRS has announced that the final regulations regarding the use of substitute mortality tables and credit balances will only apply to plan years beginning on and after January 1, 2009. In addition, because of the interaction between the funding rules and the benefit restriction requirements, the final regulations regarding benefit limitations will only apply to plan years beginning on and after January 1, 2009.

Despite the delayed effective date of these regulations, *the actual Pension Protection Act of 2006 (PPA) funding rules are still effective for plan years beginning on and after 2008*. As a result, for plan years beginning during 2008, plan sponsors must comply with the new rules. However, for 2008, they may follow the proposed regulations, or may apply a reasonable interpretation of the PPA rules, subject to the following limitations:

- Plan sponsors can only use substitute mortality tables that are appropriately approved by the IRS.
- Only the averaging methods described in IRS regulations may be used to determine the value of plan assets.
- The funding target attainment percentage (FTAP) for the 2007 plan year may be determined using methods of estimation as provided by the IRS, including the method described in the proposed regulations, but plan sponsors should not assume that other methods will be permitted.
- Benefit limitations will apply beginning with the first day of the fourth month of the plan year if the certification of the plan's adjusted funding target attainment percentage (AFTAP) for either the prior plan year or the current plan year is not received by that date. In addition, the standard benefit restriction rules apply to plan amendments or contingent events occurring during the 2008 plan year.

Plan sponsors should discuss any questions regarding these transitional rules with their plan's enrolled actuary.

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